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C O N F I D E N T I A L SECTION 01 OF 02 PARIS 003485

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STATE FOR EB/CBA (MERMOUD)
STATE ALSO FOR EUR/WE
COMMERCE FOR 534 BIS, MAC/EUR, AND USFCS/ADVOCACY

E.O. 12958: DECL: 05/20/2015

TAGS: [BEXP](#) [ETRD](#) [PREL](#) [FR](#)

SUBJECT: (C) REQUEST FOR SECDEF ADVOCACY ON GE PROPULSION
OFFER FOR FRENCH-ITALIAN SHIP PROJECT

REF: PARIS 2902

Classified By: Charge Alex Wolff as confidential for reasons 1.5 (b) and (d).

[11.](#) (C) SUMMARY AND ACTION REQUEST: Embassy Paris believes that Secretary Rice's and Secretary Gutierrez' advocacy letters in support of General Electric's bid to provide gas turbines to equip the joint French-Italian Multi-Mission Frigates (known as FREMM) were useful in signaling high-level USG interest in this issue and perhaps in postponing the decision for several weeks. However, given PM Blair's intervention in support of a competing Rolls-Royce bid (reftel), we believe an additional high-level USG intervention is needed. Since this decision will proceed through French Ministry of Defense channels, Charge requests that agencies consider preparing an advocacy letter from Secretary of Defense Rumsfeld to Minister of Defense

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Alliot-Marie. Embassy Rome may wish to advise whether a similar letter to Secretary Rumsfeld's Italian counterpart would be equally useful. End Summary and Action Request.

[12.](#) (C) Embassy's latest information indicates that the joint French/Italian FREMM Steering Committee has decided to postpone engine selection until just after the Paris Air Show (June 13-19). Earlier information had indicated that a decision would be made by May 17. We believe that this delay may mean that the letters from Secretaries Rice and Gutierrez were (at least partially) successful. We understand also that the Steering Committee has asked both French and Italian shipyards to review technical specifications for the engine component. This is of concern to GE, as previously the shipyards had indicated a desire to upgrade engine power specifications above the specified power listed in the overall technical specification. GE notes that their gas turbines meet the original technical specifications and have the added benefit of lower cost. GE would not compete as favorably with Rolls Royce if engine power requirements are increased, which we understand would not be consistent with overall frigate design in any event.

[13.](#) (C) The anticipated value of the FREMM propulsion contract alone is approximately \$250 million. However, GE reps have told Embassy officials that the long-term partnership proposed by GE to DCN (Naval Construction Directorate - the facility that will build these ships for the French navy) that would result from the selection of GE engines, could result in business in excess of a billion dollars. The FREMM contract is important to the future of GE's military gas turbine business. Without this contract, we are told that GE's ability to continue to produce gas turbines beyond 2006 is questionable, which could leave Rolls Royce as the sole supplier in this market segment.

[14.](#) (SBU) We believe this transaction holds symbolic and political significance in furthering the transatlantic partnership. It also makes good business sense for the French and Italians, both for their shipbuilding industry and for the interoperability of their naval forces with the U.S. Navy. GE systems have a long history of satisfactory performance in both the U.S. and Italian fleets. Similarly, GE has been a faithful partner for many years as an investor in Italy and France and as a partner of French jet-engine manufacturer, SNECMA.

[15.](#) (U) As we noted reftel, given the level of UK advocacy, failure by the USG to advocate at a similar level may lead French (and Italian) officials to conclude that the UK places more importance on this decision than the USG. Given that this decision will be taken through defense channels, we believe that a letter from Secretary of Defense Rumsfeld to his French (and perhaps his Italian) counterpart would be extremely helpful. In our assessment, having contacted the Finance Minister and the Foreign Minister while ignoring the Minister of Defense may in fact complicate our efforts.

[16.](#) (SBU) ACTION REQUEST: Embassy requests that the Department, in conjunction with Commerce, support this

request to DOD to ensure that USG interests in this tender have been communicated directly to French Defense Minister Alliot-Marie by Defense Secretary Rumsfeld.

WOLFF